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BUNKIE GENERAL HOSPITAL

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**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED
JUNE 30, 1999, 1998 AND 1997**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

DEC 7 5 1999

Release Date _____

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
Bunkie, Louisiana

We have audited the accompanying general purpose financial statements of the Hospital Service District No. 1, Parish of Avoyelles, dba Bunkie General Hospital (the Hospital), a component unit of the Avoyelles Parish Police Jury, for the years ended June 30, 1999, 1998, and 1997, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the Year 2000 Issue in order for financial statements to be prepared in conformity with generally accepted accounting principles. Such required disclosures include:

any significant amount of resources committed to make computer systems and other electronic equipment year 2000 compliant;

a general description of the Year 2000 Issue, including a description of the stages of work in process or completed as of the end of the reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000 compliant; and

the additional stages of work necessary for making the computer systems and other electronic equipment year 2000 compliant.

Board of Commissioners
Hospital Service District No. 1
Parish of Avoyelles, State of Louisiana
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The Hospital has omitted such disclosures. We do not provide assurance that the Hospital is or will be year 2000 ready, that the Hospital's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Hospital does business will be year 2000 ready.

In our opinion, except for the omission of the information discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1, Parish of Avoyelles, dba Bunkie General Hospital, as of June 30, 1999, 1998, and 1997, and the results of its operations and cash flows of such funds for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 22, 1999, on our consideration of the Hospital's internal control structure and our test of its compliance with laws and regulations.

Our audits were conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of Hospital Service District No. 1, Parish of Avoyelles, dba Bunkie General Hospital. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Lester, Miller & Wells

Certified Public Accountants

October 22, 1999

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
BALANCE SHEETS - UNRESTRICTED FUND
JUNE 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 632,193	\$ 684,157	\$ 113,471
Patient accounts receivable, net of estimated uncollectibles (Note 4)	2,349,856	2,266,388	2,796,883
Inventory	155,369	172,322	180,938
Prepaid expenses	<u>60,399</u>	<u>56,903</u>	<u>60,318</u>
Total current assets	<u>3,197,817</u>	<u>3,179,770</u>	<u>3,151,610</u>
Assets limited as to use (Note 6)	307,238	150,374	153,642
Property, plant and equipment, net (Note 5)	2,987,025	3,061,472	2,555,900
Other assets	<u>28,048</u>	<u>6,604</u>	<u>9,158</u>
Total assets	<u>\$ 6,520,128</u>	<u>\$ 6,398,220</u>	<u>\$ 5,870,310</u>
Liabilities and Fund Balance			
Current liabilities:			
Current maturities of long-term debt (Note 9)	\$ 98,136	\$ 86,323	\$ 42,003
Line of credit	-0-	100,000	-0-
Accounts payable and accrued expenses (Note 7)	628,663	793,460	497,282
Unearned revenues (Note 8)	<u>-0-</u>	<u>1,274</u>	<u>4,044</u>
Total current liabilities	<u>726,799</u>	<u>981,057</u>	<u>543,329</u>
Long-term debt, net of current maturities (Note 9)	917,355	860,529	418,958
Unearned revenues (Note 8)	<u>-0-</u>	<u>304</u>	<u>500</u>
Total liabilities	<u>1,644,154</u>	<u>1,841,890</u>	<u>962,787</u>
Fund balance - unrestricted	<u>4,875,974</u>	<u>4,556,330</u>	<u>4,907,523</u>
Total liabilities and fund balance	<u>\$ 6,520,128</u>	<u>\$ 6,398,220</u>	<u>\$ 5,870,310</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 STATEMENTS OF OPERATIONS - UNRESTRICTED FUND
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Revenue:			
Net patient service revenue	\$ 7,996,906	\$ 7,194,696	\$ 7,267,967
Ad valorem taxes	62,957	67,459	58,436
Other	<u>140,170</u>	<u>110,527</u>	<u>156,620</u>
Total revenue	<u>8,200,033</u>	<u>7,372,682</u>	<u>7,483,023</u>
Expenses:			
Salaries and benefits	2,665,430	2,837,788	3,255,786
Medical supplies and expenses	995,754	905,685	1,067,231
Medical professional fees	1,935,184	1,782,378	1,131,320
Other expenses	967,892	884,220	804,913
Insurance	76,319	124,252	157,952
Provision for bad debt	896,412	865,330	1,262,554
Depreciation and amortization expense	302,546	295,439	291,875
Interest expense	<u>87,324</u>	<u>38,603</u>	<u>20,800</u>
Total expenses	<u>7,926,861</u>	<u>7,733,695</u>	<u>7,992,431</u>
Operating income (loss)	273,172	(361,013)	(509,408)
Nonoperating income:			
Investment income	<u>46,472</u>	<u>9,820</u>	<u>17,146</u>
Excess of revenues (expenses)	<u>\$ 319,644</u>	<u>\$ (351,193)</u>	<u>\$ (492,262)</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 STATEMENTS OF CHANGES IN FUND BALANCE - UNRESTRICTED FUND
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	Unrestricted
CHANGES IN FUND BALANCE:	
Balance, June 30, 1996	\$ 5,399,785
Excess of expenses over revenues for the year ended June 30, 1997	____(492,262)
Balance, June 30, 1997	4,907,523
Excess of expenses over revenues for the year ended June 30, 1998	____(351,193)
Balance, June 30, 1998	4,556,330
Excess of revenues over expenses for the year ended June 30, 1999	____319,644
Balance, June 30, 1999	<u>\$ 4,875,974</u>
COMPOSITION OF FUND BALANCE AT JUNE 30, 1999:	
Contributions	
Hill-Burton	\$ 400,000
Bond issue	338,770
Public contributions	____233,616
	972,386
Excess of revenues over expenses	____3,903,588
Total	<u>\$ 4,875,974</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	1999	1998	1997
Cash flows from operating activities:			
Operating income (loss)	\$ 319,644	\$ (351,193)	\$ (492,262)
Interest expense considered capital financing activity	87,324	38,603	20,800
Ad valorem taxes considered financing activity	(62,957)	(67,459)	(58,436)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	302,546	295,440	291,875
(Gain) loss on disposal of assets	33,982	(7,014)	-0-
Provision for bad debts	896,412	865,330	1,262,554
Interest income	(46,472)	(9,820)	(17,146)
(Increase) decrease in current assets:			
Cash investments	-0-	-0-	505,425
Patient accounts receivable, net	(979,880)	(334,835)	(1,773,460)
Inventory	16,953	8,616	(14,141)
Prepaid expenses	(3,496)	3,415	48,445
Increase (decrease) in current liabilities:			
Accounts payable and accrued expenses	(164,797)	296,178	37,196
Unearned revenues	(1,578)	(2,770)	(406)
Long-term unearned revenues	<u>-0-</u>	<u>(196)</u>	<u>(125)</u>
Net cash provided by operating activities	<u>397,681</u>	<u>734,295</u>	<u>(189,681)</u>
Cash flows from investing activities:			
Interest on investments	46,472	9,820	17,146
Stipend payment to medical student	<u>(26,000)</u>	<u>(2,000)</u>	<u>-0-</u>
Net cash provided by investing activities	<u>20,472</u>	<u>7,820</u>	<u>17,146</u>
Cash flows from non-capital financing activities:			
Proceeds from line of credit	-0-	770,000	-0-
Payments line of credit	(100,000)	(670,000)	-0-
Ad valorem taxes	<u>62,957</u>	<u>67,459</u>	<u>58,436</u>
Net cash provided by non-capital financing activities	<u>\$ (37,043)</u>	<u>\$ 167,459</u>	<u>\$ 58,436</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 STATEMENTS OF CASH FLOWS - UNRESTRICTED FUND (Continued)
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Cash flows from capital and related financing activities:			
Proceeds from issuance of new debt	\$ 151,385	\$ 528,537	\$ 450,000
Proceeds from sale of property and equipment	2,796	15,406	-0-
Purchases of property and equipment	(260,320)	(804,850)	(211,424)
Proceeds from assets limited as to use	(156,864)	3,268	(12,395)
Principal paid on long-term debt	(82,747)	(42,646)	(389,359)
Interest paid on long-term debt	<u>(87,324)</u>	<u>(38,603)</u>	<u>(20,800)</u>
Net cash used by capital and related financing activities	<u>(433,074)</u>	<u>(338,888)</u>	<u>(183,978)</u>
Net increase (decrease) in cash and cash equivalents	(51,964)	570,686	(298,077)
Cash and cash equivalents, beginning of year	<u>684,157</u>	<u>113,471</u>	<u>411,548</u>
Cash and cash equivalents, end of year	<u>\$ 632,193</u>	<u>\$ 684,157</u>	<u>\$ 113,471</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	<u>\$ 71,051</u>	<u>\$ 30,161</u>	<u>\$ 19,757</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
UNRESTRICTED FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1999, 1998 AND 1997

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

The Avoyelles Parish Hospital Service District (the "Hospital" or the "District") was created by an ordinance of the Avoyelles Parish Police Jury on February 14, 1968.

As the governing authority of the parish, for reporting purposes, the Avoyelles Parish Police Jury is the financial reporting entity for Avoyelles Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Because the police jury appoints all commissioners of the Avoyelles Parish Hospital Service District, the District is a component unit of the Avoyelles Parish Police Jury, the financial reporting entity. The accompanying financial statements present only the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The Hospital provides outpatient, emergency, skilled nursing (through "swing-beds"), acute inpatient hospital services and home health services. On October 7, 1993, the Hospital converted 20 acute beds to an adolescent care psychiatric unit. In July 1994, the Hospital opened an outpatient clinic and hired a nurse practitioner and a physician to provide non-emergency services to the community. In July 1997, the adolescent care psychiatric unit was converted to a geriatric care psychiatric unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Proprietary Fund Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Revenue is reported when earned, net of the provision for contractual adjustments based upon each payor's agreement with the Hospital. Expenditures are recorded when incurred. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, and the Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
BUNKIE GENERAL HOSPITAL
UNRESTRICTED FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 1999, 1998 AND 1997

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of 90 days or less. Cash and cash equivalents are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts limited as to use.

Credit Risk

The Hospital provides medical care primarily to Avoyelles Parish residents and grants credit to patients, substantially all of whom are local residents. The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The Hospital has an economic dependence on a small number of staff physicians who admit over 90% of the Hospital's patients. Revenues from Medicare and Medicaid are significant. Accordingly, government changes in reimbursement and patient coverage significantly impact the Hospital.

Third Party Cost-Based Revenues

Contractual agreements with governmental agencies provide for reimbursement based on a fixed price per patient stay based upon the patient's primary diagnosis for Medicare inpatient services. Medicare and Medicaid outpatients are reimbursed based upon the lesser of reasonable cost (subject to certain limits) or charges to patients. Until July 1, 1994, the Medicaid inpatient services were reimbursed based upon the lesser of reasonable cost (subject to certain limits) or charges to the patient. As of July 1, 1994, the program reimbursement is based upon a fixed price per day. These reimbursements are subject to audit and retroactive adjustments by each payor.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Changes in Reporting Classification

The classification of certain prior year amounts have been changed to reflect consistent reporting when compared to current year balances. The financial statement format has been changed to reflect changes in the AICPA Audit and Accounting Guide - Health Care Organizations, issued June 1, 1996.

Income Taxes

The entity is a political subdivision and exempt from taxation.

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOUELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 UNRESTRICTED FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line depreciation for financial reporting and third party reimbursement. The following estimated useful lives are generally used.

Buildings	15 to 50 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	5 to 20 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations currently.

NOTE 3 - DEPOSITS

Included in cash and cash equivalents and assets whose use is limited are cash on hand, deposits with the depository banks for money market accounts, checking accounts and certificates of deposits, which were secured at the balance sheet dates by federal depository insurance coverage and by pledged securities. For all deposits, the market value and carrying value are the same.

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Petty cash	\$ 2,561	\$ 1,587	\$ 1,250
Checking accounts	96,792	621,689	80,045
Money Market accounts	62,939	61,919	33,211
Certificates of deposit	725,314	97,511	100,782
LHA Trust deposits	<u>51,825</u>	<u>51,825</u>	<u>51,825</u>
Total deposits	<u>\$ 939,431</u>	<u>\$ 834,531</u>	<u>\$ 267,113</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 UNRESTRICTED FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable as of June 30, is presented below:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Net patient accounts receivable	\$ 3,381,634	\$ 4,066,862	\$ 3,473,167
Due from (to) governmental third party reimbursement programs	199,743	493,899	669,959
Other receivables	9,235	5,627	50,247
Due from government disproportionate share funds	<u>224,000</u>	<u>-0-</u>	<u>-0-</u>
	3,814,612	4,566,388	4,193,373
Estimated uncollectible	<u>(1,464,756)</u>	<u>(2,300,000)</u>	<u>(1,396,490)</u>
Total	<u>\$ 2,349,856</u>	<u>\$ 2,266,388</u>	<u>\$ 2,796,883</u>

The Hospital generates a substantial portion of its charges and net revenues from the Medicare and Medicaid programs. Related amounts as of June 30, are presented below:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Medicare and Medicaid gross patient charges	\$ 7,345,448	\$ 8,183,472	\$ 8,048,465
Contractual adjustments, adjusted to remove effect of Medicaid disproportionate share	<u>(2,588,982)</u>	<u>(3,670,152)</u>	<u>(3,361,918)</u>
Net patient service revenue	<u>\$ 4,756,466</u>	<u>\$ 4,513,320</u>	<u>\$ 4,686,547</u>
Percent of total net patient revenues	<u>59%</u>	<u>63%</u>	<u>64%</u>
Medicaid disproportionate share revenue	<u>\$ 935,614</u>	<u>\$ 940,599</u>	<u>\$ 390,387</u>
Percentage Medicaid disproportionate share is to net patient revenue	<u>12%</u>	<u>13%</u>	<u>5%</u>
Percentage Medicare and Medicaid charges are to gross charges	<u>70%</u>	<u>79%</u>	<u>76%</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 UNRESTRICTED FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the years ended June 30, 1999, 1998, and 1997.

	<u>ASSET COST</u>			June 30, 1999
	June 30, 1998	Additions	Deductions	
Land	\$ 88,352	\$ -0-	\$ -0-	\$ 88,352
Land improvements	159,969	68,881	-0-	228,850
Buildings	2,065,784	741,906	-0-	2,807,690
Fixed equipment	501,301	26,102	-0-	527,403
Major moveable equipment	2,200,347	68,693	59,242	2,209,798
Construction in progress	<u>647,962</u>	<u>36,461</u>	<u>684,423</u>	<u>-0-</u>
Total	<u>\$ 5,663,715</u>	<u>\$ 942,043</u>	<u>\$ 743,665</u>	<u>\$ 5,862,093</u>

	<u>ACCUMULATED DEPRECIATION</u>			June 30, 1999
	June 30, 1998	Additions	Deductions	
Land improvements	\$ 112,021	\$ 10,269	\$ -0-	\$ 122,290
Buildings	773,551	91,574	-0-	865,125
Fixed equipment	331,159	18,853	-0-	350,012
Major moveable equipment	<u>1,385,512</u>	<u>177,294</u>	<u>25,165</u>	<u>1,537,641</u>
Total	<u>\$ 2,602,243</u>	<u>\$ 297,990</u>	<u>\$ 25,165</u>	<u>\$ 2,875,068</u>

	<u>ASSET COST</u>			June 30, 1998
	June 30, 1997	Additions	Deductions	
Land	\$ 88,352	\$ -0-	\$ -0-	\$ 88,352
Land improvements	152,513	7,456	-0-	159,969
Buildings	2,057,074	8,710	-0-	2,065,784
Fixed equipment	754,194	1,500	254,393	501,301
Major moveable equipment	2,486,841	170,364	456,858	2,200,347
Construction in progress	<u>31,142</u>	<u>616,820</u>	<u>-0-</u>	<u>647,962</u>
Total	<u>\$ 5,570,116</u>	<u>\$ 804,850</u>	<u>\$ 711,251</u>	<u>\$ 5,663,715</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 UNRESTRICTED FUND
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

NOTE 5 - PROPERTY, PLANT & EQUIPMENT (Continued)

	June 30, 1997	<u>ACCUMULATED DEPRECIATION</u>		June 30, 1998
		Additions	Deductions	
Land improvements	\$ 104,638	\$ 7,383	\$ -0-	\$ 112,021
Buildings	701,018	72,533	-0-	773,551
Fixed equipment	567,360	17,765	253,966	331,159
Major moveable equipment	<u>1,641,200</u>	<u>193,205</u>	<u>448,893</u>	<u>1,385,512</u>
Total	<u>\$ 3,014,216</u>	<u>\$ 290,886</u>	<u>\$ 702,859</u>	<u>\$ 2,602,243</u>

	June 30, 1996	<u>ASSET COST</u>		June 30, 1997
		Additions	Deductions	
Land	\$ 88,352	\$ -0-	\$ -0-	\$ 88,352
Land improvements	152,513	-0-	-0-	152,513
Buildings	1,986,917	70,157	-0-	2,057,074
Fixed equipment	754,194	-0-	-0-	754,194
Major moveable equipment	2,364,592	122,249	-0-	2,486,841
Construction in progress	<u>12,124</u>	<u>31,142</u>	<u>12,124</u>	<u>31,142</u>
Total	<u>\$ 5,358,692</u>	<u>\$ 223,548</u>	<u>\$ 12,124</u>	<u>\$ 5,570,116</u>

	June 30, 1996	<u>ACCUMULATED DEPRECIATION</u>		June 30, 1997
		Additions	Deductions	
Land improvements	\$ 94,491	\$ 10,147	\$ -0-	\$ 104,638
Buildings	630,924	70,094	-0-	701,018
Fixed equipment	547,266	20,094	-0-	567,360
Major moveable equipment	<u>1,454,214</u>	<u>186,986</u>	<u>-0-</u>	<u>1,641,200</u>
Total	<u>\$ 2,726,895</u>	<u>\$ 287,321</u>	<u>\$ -0-</u>	<u>\$ 3,014,216</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 UNRESTRICTED FUND
 NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - PROPERTY, PLANT & EQUIPMENT (Continued)

An analysis of construction contracts in progress and related commitments as of June 30, follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Total construction and related commitments	\$ -0-	\$ 696,790	\$ 35,972
Interim payments and payables	<u>-0-</u>	<u>(572,675)</u>	<u>(26,724)</u>
Balance of commitments at year end	<u>\$ -0-</u>	<u>\$ 124,115</u>	<u>\$ 9,248</u>

NOTE 6 - ASSETS LIMITED AS TO USE

On November 12, 1968, Hospital Service District No. 1 accepted an offer from the Department of Housing and Urban Development to make a loan in order to aid in financing the construction of a new 30-bed general hospital. The indenture imposed restrictions on the hospital authority; a summary of cash restrictions follows:

All income earned from operations of the Hospital is to be deposited in the hospital operating fund. Funds are to be expensed in the following order of priority and for the following purposes.

- (1) The payment of reasonable expenses of administration, operation and maintenance of the Hospital.
- (2) A cash transfer to the Hospital Bond and Interest Sinking Fund by the 15th day of each month, sums equal to one-fifth of the interest due on the next interest payment date, plus one-tenth of the principal due on the next principal payment date. Transfer will continue until a reserve of \$24,000 has been accumulated; thereafter, cash transfers will be made as are necessary to meet the current year's debt service requirements and maintain the reserve of \$24,000.
- (3) A cash transfer to the Hospital Repair and Replacement Reserve Fund of \$125 monthly until a reserve of \$15,000 has been accumulated and maintained in such amount. The money may be withdrawn for the purpose of paying extraordinary maintenance of repairs, renewals and replacement. Should the Hospital Bond and Interest Sinking Fund be insufficient to pay a required installment, funds in the Hospital Repair and Replacement Reserve Fund will be transferred to the extent required to eliminate the deficiency.

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NOTE 6 - ASSETS LIMITED AS TO USE (Continued)

It is the contention of management that the accounting requirements of the revenue bond issue were met.

Pursuant to a resolution by the Board of Directors of the Hospital on January 18, 1973, a board-designated plant fund was established to be utilized for replacement of existing capital assets and the purchase of new capital assets. Those limited use funds described above contained the investments and accrued interest at June 30, as follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
<u>By Bond Indenture</u>			
Hospital bond and interest sinking fund	\$ 204,123	\$ 49,534	\$ 55,105
Hospital repair and replacement reserve fund	32,711	31,249	29,751
<u>By Board</u>			
Plant fund	1,068	1,038	1,035
Dialysis building fund	17,511	16,728	15,926
LHA Trust deposits	<u>51,825</u>	<u>51,825</u>	<u>51,825</u>
Noncurrent assets whose use is limited	<u>\$ 307,238</u>	<u>\$ 150,374</u>	<u>\$ 153,642</u>

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

A summary of accounts payable and accrued expenses as of June 30, follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Accounts payable	\$ 437,808	\$ 605,539	\$ 310,329
Salaries	75,965	72,970	63,945
Payroll taxes	8,787	6,384	6,800
Interest	27,725	11,452	3,010
Compensated absences	<u>78,378</u>	<u>97,115</u>	<u>113,198</u>
Total	<u>\$ 628,663</u>	<u>\$ 793,460</u>	<u>\$ 497,282</u>

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NOTE 8 - UNEARNED REVENUES

The Hospital received fees from patients participating in a Silver Society membership plan. The fees collected are for extended periods and are recognized in monthly revenue as the extended periods expire.

A summary of unearned revenues as of June 30, follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Fees received in advance	\$ -0-	\$ 1,578	\$ 4,544
Less revenue to be earned in the next accounting period	<u>-0-</u>	<u>(1,274)</u>	<u>(4,044)</u>
Long-term unearned revenues	<u>\$ -0-</u>	<u>\$ 304</u>	<u>\$ 500</u>

NOTE 9 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations at June 30, follows:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
5.48 percent note to American Security Bank, collateralized by assignment of lease of the new dialysis building	\$ 607,206	\$ 528,537	\$ -0-
7.0 percent note payable to Union Bank, due June 1, 2007, unsecured	170,790	186,062	200,000
Capital lease obligations, at varying rates of interest from 7.2 percent to 11.7 percent collateralized by leased equipment	37,495	17,253	30,961
4.75 percent Revenue Bonds due November 1, 2009, collateralized by a pledge of the Hospital's gross receipts	<u>200,000</u>	<u>215,000</u>	<u>230,000</u>
Total long-term debt	1,015,491	946,852	460,961
Less current maturities of long-term debt	<u>(98,136)</u>	<u>(86,323)</u>	<u>(42,003)</u>
Long-term debt net of current maturities	<u>\$ 917,355</u>	<u>\$ 860,529</u>	<u>\$ 418,958</u>

HOSPITAL SERVICE DISTRICT NO. 1
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NOTE 9 - LONG-TERM DEBT (Continued)

A table of annual debt service requirements follows:

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	<u>Notes and Leases</u>
2000	\$ 24,144	\$ 129,092
2001	23,431	129,290
2002	22,719	120,070
2003	22,006	112,162
2004	21,294	112,162
2005	25,462	112,162
2006	24,513	112,162
2007	23,562	84,500
2008	22,613	-0-
2009	21,662	-0-
2010	<u>25,594</u>	<u>-0-</u>
Total	<u>\$ 257,000</u>	<u>\$ 911,600</u>

NOTE 10 - LEASES

The Hospital is the lessee of various equipment under capital leases expiring in various years through 2000. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over their estimated productive lives, as Medicare rules mandate. Depreciation of assets under capital leases is included in depreciation expense for the periods ended June 30. Following is a summary of property held under capital leases:

	<u>1999</u>	<u>1998</u>	<u>1997</u>
AT&T phones	\$ 77,465	\$ 56,496	\$ 56,496
Fidelity - IBM line printer	<u>8,934</u>	<u>-0-</u>	<u>-0-</u>
	86,399	56,496	56,496
Less: Accumulated depreciation	<u>(27,186)</u>	<u>(21,186)</u>	<u>(15,537)</u>
	<u>\$ 59,213</u>	<u>\$ 35,310</u>	<u>\$ 40,959</u>

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NOTE 10 - LEASES (Continued)

Minimum future lease payments under capital leases as of June 30, 1999, and for each subsequent year in aggregate are provided below:

<u>Year Ending June 30,</u>	<u>Amount</u>
2000	\$ 16,929
2001	16,928
2002	<u>7,887</u>
Total minimum lease payments	41,744
Less: Amounts representing interest	<u>(4,250)</u>
Net minimum lease payments	\$ <u>37,494</u>

The Hospital leases various medical equipment under operating lease agreements expiring in various years through 2002.

NOTE 11 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off and sick days depending on length of service. The Hospital charged operations during the periods ended June 30, 1999, 1998 and 1997, for accrued paid days off of \$78,378, \$97,115, and \$113,198, respectively. It is impracticable to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 12 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund ("PCF"), the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limiting the PCF's exposure to \$400,000 per occurrence.

The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability and worker's compensation. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has only included these allocations or equity amounts assigned to the Hospital by the trust fund in its financial statements.

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NOTE 13 - CHARITY CARE

The Hospital has a policy of providing charity care to patients who can prove they are indigent. Charity care charges were \$237,695, \$160,808, and \$321,574 for the respective fiscal periods ended June 30, 1999, 1998 and 1997.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third Party Reimbursement Programs (Note 4) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations, as well as, retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Professional Liability Risk (Note 12) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund.

The Hospital participates in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the Hospital is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Beginning January 1, 1997, the Hospital purchased a Workmen's Compensation insurance policy from Business Insurance Company.

Medical Benefits Trust - The Hospital maintains a medical benefits trust. The Hospital and employees contribute on a 50/50 basis amounts required to cover the health benefits cost of the employees. Employees with more than 90 days of service can participate.

The trust pays all claims from funds provided from the Hospital. The trust agreement provides that should it not have sufficient funds to cover its obligations, the Hospital is obligated to fund the shortfall. The Hospital purchases "excess" insurance coverage that provides for payment of individual claims in excess of \$12,500 or aggregate annual claims in excess of \$515,600.

During fiscal year 1997, the Hospital joined Advantage Health Network to provide medical benefits to employees. The Hospital and employees contribute on a 50/50 basis amounts required to cover the insurance premiums.

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NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the Hospital. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

The Hospital has a line of credit of \$400,000 at 4.84% for use in operations, if needed, until March 1, 2000. Any use of available funds will be secured by excess revenues.

Year 2000 Computer Risk - District management began to assess the impact of the year 2000 on the various computers and equipment with computerized system dates, but is currently unable to estimate a liability. The ability of outside organizations to deal with this problem could have a financial impact on the District. No provisions are included in these financial statements at June 30, 1999.

NOTE 15 - VOLUNTARY HOSPITALS OF AMERICA - GULF STATES ("VHA")

As a member of the VHA, the Hospital has committed to fund a percentage of the corporation's operating budget annually. The Hospital purchases medical-surgical supplies for use in hospital operations. The Hospital's current commitment is an annual minimum of \$2,000 per occupied bed.

NOTE 16 - RETIREMENT PROGRAM

Employees have available retirement coverage through an employee funded defined contribution plan. Beginning June 1, 1993, the Board began making semi-annual determinations as to how much the Hospital will contribute to an additional plan for full-time employees who work 64 or more hours per pay period. Each employee will be required to contribute a minimum of 3% of their base pay toward the program. Employees will become 100% vested in the Hospital's contributions after three full years of employment.

	<u>1999</u>
Total payroll	\$ 2,349,069
Total covered payroll	1,541,629
Employee contributions	102,066
Employer contributions	29,714
Percentage employee contributions	6.6%
Percentage employer contributions	1.9%

NOTE 17 - AD VALOREM TAXES

The District levies real estate taxes on all real property on a calendar year basis, at a rate enacted by the Board of Commissioners as recommended by the local tax assessor. Property taxes are collected through the local sheriff and remitted, net of collection fees, to the District. The sheriff's office is responsible for collection, including establishing lien, levy and due dates of property taxes.

SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF NET PATIENT SERVICE REVENUE
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	1999	1998	1997
Routine services:			
Adult and pediatric	\$ 393,412	\$ 434,429	\$ 557,055
Psychiatric unit	1,663,000	1,767,840	1,841,435
Swing-bed	<u>96,690</u>	<u>93,060</u>	<u>85,280</u>
Total routine services	<u>2,153,102</u>	<u>2,295,329</u>	<u>2,483,770</u>
Other professional services:			
Operating room			
Inpatient	4,648	7,860	7,670
Outpatient	<u>123,140</u>	<u>40,010</u>	<u>25,315</u>
Total operating room	<u>127,788</u>	<u>47,870</u>	<u>32,985</u>
Recovery room			
Inpatient	1,088	220	110
Outpatient	<u>14,850</u>	<u>2,200</u>	<u>660</u>
Total recovery room	<u>15,938</u>	<u>2,420</u>	<u>770</u>
Anesthesia			
Inpatient	2,211	6,910	2,845
Outpatient	<u>120,630</u>	<u>32,015</u>	<u>10,485</u>
Total anesthesia	<u>122,841</u>	<u>38,925</u>	<u>13,330</u>
Radiology			
Inpatient	322,720	310,515	301,731
Outpatient	<u>1,108,885</u>	<u>937,430</u>	<u>900,640</u>
Total radiology	<u>1,431,605</u>	<u>1,247,945</u>	<u>1,202,371</u>
Laboratory			
Inpatient	432,947	454,984	460,333
Outpatient	<u>1,094,043</u>	<u>1,125,373</u>	<u>1,096,761</u>
Total laboratory	<u>1,526,990</u>	<u>1,580,357</u>	<u>1,557,094</u>

HOSPITAL SERVICE DISTRICT NO. 1
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SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Blood			
Inpatient	\$ 10,361	\$ 11,992	\$ 6,477
Outpatient	<u>8,670</u>	<u>12,593</u>	<u>7,103</u>
Total blood	<u>19,031</u>	<u>24,585</u>	<u>13,580</u>
Inhalation therapy			
Inpatient	376,928	370,391	407,034
Outpatient	<u>95,396</u>	<u>82,645</u>	<u>76,358</u>
Total inhalation therapy	<u>472,324</u>	<u>453,036</u>	<u>483,392</u>
Physical therapy			
Inpatient	26,955	34,526	28,001
Outpatient	<u>13,060</u>	<u>15,302</u>	<u>-0-</u>
Total physical therapy	<u>40,015</u>	<u>49,828</u>	<u>28,001</u>
Cardiac rehab			
Inpatient	-0-	-0-	-0-
Outpatient	<u>68,735</u>	<u>52,845</u>	<u>19,290</u>
Total cardiac rehab	<u>68,735</u>	<u>52,845</u>	<u>19,290</u>
Electrocardiology			
Inpatient	29,580	38,205	48,130
Outpatient	<u>92,695</u>	<u>93,300</u>	<u>89,820</u>
Total electrocardiology	<u>122,275</u>	<u>131,505</u>	<u>137,950</u>
Electroencephalogram			
Inpatient	-0-	1,250	1,750
Outpatient	<u>2,250</u>	<u>1,500</u>	<u>1,250</u>
Total electroencephalogram	<u>2,250</u>	<u>2,750</u>	<u>3,000</u>
Telemetry			
Inpatient	58,000	74,500	63,945
Outpatient	<u>4,500</u>	<u>5,900</u>	<u>3,570</u>
Total telemetry	<u>62,500</u>	<u>80,400</u>	<u>67,515</u>

HOSPITAL SERVICE DISTRICT NO. 1
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SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	1999	1998	1997
Central supply			
Inpatient	\$ 116,607	\$ 191,502	\$ 192,043
Outpatient	<u>252,024</u>	<u>111,670</u>	<u>131,588</u>
Total central supply	<u>368,631</u>	<u>303,172</u>	<u>323,631</u>
Intravenous therapy			
Inpatient	143,628	150,946	173,731
Outpatient	<u>86,979</u>	<u>68,485</u>	<u>58,529</u>
Total intravenous therapy	<u>230,607</u>	<u>219,431</u>	<u>232,260</u>
Pharmacy			
Inpatient	692,848	640,773	740,413
Outpatient	<u>319,690</u>	<u>265,366</u>	<u>205,536</u>
Total pharmacy	<u>1,012,538</u>	<u>906,139</u>	<u>945,949</u>
Emergency room			
Inpatient	47,630	52,665	81,205
Outpatient	<u>656,905</u>	<u>683,760</u>	<u>660,961</u>
Total emergency room	<u>704,535</u>	<u>736,425</u>	<u>742,166</u>
Emergency room physician			
Inpatient	47,420	49,930	66,320
Outpatient	<u>649,547</u>	<u>678,834</u>	<u>639,154</u>
Total emergency room physician	<u>696,967</u>	<u>728,764</u>	<u>705,474</u>
Observation room			
Inpatient	4,515	9,795	4,185
Outpatient	<u>68,057</u>	<u>49,035</u>	<u>40,410</u>
Total observation room	<u>72,572</u>	<u>58,830</u>	<u>44,595</u>
Dialysis treatment			
Inpatient	505	1,860	5,110
Outpatient	<u>505</u>	<u>-0-</u>	<u>-0-</u>
Total dialysis treatment	<u>1,010</u>	<u>1,860</u>	<u>5,110</u>

HOSPITAL SERVICE DISTRICT NO. 1
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 SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	1999	1998	1997
Kohli Clinic			
Inpatient	\$ -0-	\$ 16,740	\$ -0-
Outpatient	<u>-0-</u>	<u>34,575</u>	<u>-0-</u>
Total Kohli Clinic	<u>-0-</u>	<u>51,315</u>	<u>-0-</u>
Home health visits	548,185	920,528	1,015,845
Rural health clinic	434,282	402,132	412,758
Partial day psychiatric services	<u>259,384</u>	<u>-0-</u>	<u>166,640</u>
Total other professional services	<u>8,341,003</u>	<u>8,041,062</u>	<u>8,153,706</u>
Total patient service revenues	<u>10,494,105</u>	<u>10,336,391</u>	<u>10,637,476</u>
Deductions from revenue:			
Contractual adjustments	(3,188,328)	(3,916,800)	(3,431,939)
Disproportionate share payment - Medicaid	935,614	940,599	390,387
Charity care	(237,695)	(160,808)	(321,574)
Discounts	<u>(6,790)</u>	<u>(4,686)</u>	<u>(6,383)</u>
Total deductions from revenue	<u>(2,497,199)</u>	<u>(3,141,695)</u>	<u>(3,369,509)</u>
Net patient service revenue	\$ <u>7,996,906</u>	\$ <u>7,194,696</u>	\$ <u>7,267,967</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
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 SCHEDULES OF OTHER REVENUE
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	1999	1998	1997
Cafeteria sales	\$ 23,513	\$ 23,893	\$ 21,335
Medical records fees	3,754	7,026	6,438
Vending machines	10,509	11,261	13,125
Fitness Center fees	10,160	6,500	1,875
LHA Trust	-0-	-0-	12,067
Emergency Room Services Grant	-0-	-0-	25,000
Rural Health Transition Grant	-0-	-0-	12,497
Silver Society fees	16,235	5,978	6,603
Contributions	160	1,761	3,592
Gain (loss) on disposal of equipment	(33,982)	7,014	-0-
Rental income	92,720	45,210	50,163
Miscellaneous revenue	<u>17,101</u>	<u>1,884</u>	<u>3,925</u>
 Total other revenue	 \$ <u>140,170</u>	 \$ <u>110,527</u>	 \$ <u>156,620</u>

HOSPITAL SERVICE DISTRICT NO. 1
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 SCHEDULES OF EXPENSES - SALARIES AND BENEFITS
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Salaries:			
Administrative and general	\$ 209,706	\$ 219,718	\$ 103,782
Business office	189,712	203,438	295,581
Communications	12,506	11,086	10,359
Guards	-0-	-0-	7,489
Plant operation	101,232	93,334	82,481
Laundry and linen	-0-	-0-	24,532
Housekeeping	60,467	60,676	50,377
Dietary	88,328	86,828	83,124
Nursing administration	108,943	75,623	79,885
Central supply	21,493	24,149	15,185
Medical records	93,785	61,459	59,662
Nursing services	332,893	360,182	388,881
Psychiatric unit	18,000	66,816	618,425
Operating room	19,191	11,621	12,671
Radiology	146,557	134,395	124,204
Laboratory	119,917	124,638	121,545
EKG	3,245	4,352	2,660
Cardiac rehab	24,922	19,451	6,602
Partial day psychiatric	-0-	-0-	62,392
Rural health clinic	313,152	260,087	266,766
Emergency room	233,742	207,204	210,225
Observation room	36,712	37,699	13,506
Home health	193,579	257,726	225,350
Physician's office building	3,120	3,209	2,707
Dr. Kohli's office	-0-	138,628	-0-
School Health Center	-0-	2,075	-0-
Fitness center	<u>17,997</u>	<u>9,540</u>	<u>10,664</u>
 Total salaries	 <u>2,349,199</u>	 <u>2,473,934</u>	 <u>2,879,055</u>
 Payroll taxes	 166,063	 209,954	 234,494
Hospitalization insurance	91,119	125,674	113,724
Other	<u>59,049</u>	<u>28,226</u>	<u>28,513</u>
 Total benefits	 <u>316,231</u>	 <u>363,854</u>	 <u>376,731</u>
 Total salaries and benefits	 <u>\$ 2,665,430</u>	 <u>\$ 2,837,788</u>	 <u>\$ 3,255,786</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF EXPENSES - MEDICAL SUPPLIES AND EXPENSES
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Nursing services	\$ 22,726	\$ 22,822	\$ 22,725
Psychiatric unit	15,308	48,500	75,999
Operating room	91,714	2,314	4,027
Anesthesia	6,661	315	34
Radiology	180,522	182,427	172,970
Laboratory	179,018	173,528	195,780
Blood	3,990	2,140	1,830
IV therapy	73,020	66,443	72,173
Respiratory therapy	3,633	8,954	5,303
EKG	4,901	4,700	2,040
Central supply	52,288	63,421	60,471
Pharmacy	319,228	241,692	228,032
Cardiac rehab	13,231	12,184	5,596
Partial day psychiatric	5,380	-0-	155,925
Rural health clinic	7,383	30,427	33,071
Emergency room	5,987	5,078	3,987
Observation room	224	184	173
Home health	10,306	40,556	27,095
Physical therapy	220	-0-	-0-
Physicians office building	<u>14</u>	<u>-0-</u>	<u>-0-</u>
 Total medical supplies and expenses	 \$ <u>995,754</u>	 \$ <u>905,685</u>	 \$ <u>1,067,231</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF EXPENSES - MEDICAL PROFESSIONAL FEES
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Psychiatric unit	\$ 950,560	\$ 834,529	\$ 151,363
Anesthesia	87,320	28,349	12,558
Laboratory	21,708	28,566	25,597
Respiratory therapy	150,000	150,000	150,000
Physical therapy	14,338	25,639	14,667
EKG	-0-	-0-	171
Cardiac rehab	-0-	-0-	16,000
Partial day psychiatric	-0-	-0-	56,077
Rural health clinic	49,066	46,712	44,317
Emergency room	<u>662,192</u>	<u>668,583</u>	<u>660,570</u>
 Total medical professional fees	 \$ <u>1,935,184</u>	 \$ <u>1,782,378</u>	 \$ <u>1,131,320</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF EXPENSES - OTHER EXPENSES
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Miscellaneous service fees	\$ 17,705	\$ 23,307	\$ 15,527
Legal and accounting	77,217	66,761	66,845
Non-medical supplies	218,172	258,483	193,223
Dietary - food expense	68,653	64,712	76,669
Repairs and maintenance	166,616	156,338	126,366
Utilities	113,432	106,723	109,268
Telephone	83,636	60,850	57,949
Home health mileage	25,649	38,957	43,018
Rentals	121,777	48,961	56,739
Public relations	45,169	39,956	32,409
Scholarships	-0-	-0-	2,700
Dues and subscriptions	5,966	12,042	13,130
Miscellaneous expenses	<u>23,900</u>	<u>7,130</u>	<u>11,070</u>
 Total other expenses	 \$ <u>967,892</u>	 \$ <u>884,220</u>	 \$ <u>804,913</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF PATIENT STATISTICS
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Number of Beds			
Acute	28	28	28
Psychiatric	20	20	20
Bed Days Available			
Acute	10,220	10,220	10,220
Psychiatric	7,300	7,300	7,300
Patient Days			
Total Acute	1,746	1,920	2,448
Total Swing Bed	869	861	743
Total Psychiatric	1,641	1,709	2,790
Medicare Acute	1,321	1,446	1,926
Medicare Swing Bed	778	829	743
Medicare Psychiatric	1,637	1,652	-0-
Medicaid Acute	210	259	410
Medicaid Psychiatric	-0-	22	1,582
Percentage Occupancy			
Acute and Swing Bed	25.60	27.21	31.22
Psychiatric	22.50	23.41	38.22
Discharges			
Total Acute	486	540	611
Total Swing Bed	106	97	87
Total Psychiatric	125	125	187
Emergency Room Visits	7,014	7,079	7,012
Home Health Visits	6,978	10,852	12,473
Clinic Visits	7,242	7,586	7,624
Number of Surgeries	251	80	86

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULE OF INSURANCE
 JUNE 30, 1999

<u>POLICY NUMBER</u>	<u>COMPANY</u>	<u>FROM</u>	<u>TO</u>	<u>TYPE OF INSURANCE</u>	<u>COVERAGE LIMITS</u>
HPL-090-98	LA Hospital Association Trust Fund Louisiana Patient Compensation Fund	11/01/98	11/01/99	Professional Liability Comprehensive General Liability	\$100,000 per claim/400,000 excess \$1,000,000 per occurrence \$10,000,000 excess umbrella policy \$1,000,000 per claim
WC-070-99	LA Hospital Association	01/01/99	01/01/00	Workmen's Compensation	\$1,000,000 each accident
CCP0035176-01	Armand General Insurance	05/21/98	05/21/99	Public Employees' Blanket Bond	\$200,000 \$4,000 deductible
REP-311144	The Benchmark Agency	04/29/99	04/29/00	Directors, Officers and Trustees Indemnity Insurance including Healthcare Organization Reimbursement Policy	\$1,000,000 - limit \$10,000 retention each loss
1A2-60-80-00	EMC Insurance	04/11/99	04/11/00	Fire and Extended Coverage on Building and Personal Property	\$5,154,000 - combined real and personal property/\$1,000 deductible Newly acquired or constructed property \$500,000/bldgs acquired per occurrence
1X2-60-8000	EMC Insurance	04/11/99	04/11/00	Property Insurance Boiler and Machinery	\$5,000,000 direct damage - premises limit of insurance \$25,000 expediting expenses \$25,000 hazardous substance \$25,000 ammonia contamination \$25,000 water damage
IE2-60-8000	EMC Insurance	04/11/99	04/11/00	Liability on Business Auto	\$1,000,000 - uninsured motorist \$1,000,000 - liability comprehensive and collision \$1,000 medical per person
1-57737	Lammico	01/01/99	01/01/00	Dr. Hines Comprehensive Professional Liability	\$100,000 per claim \$300,000 per occurrence

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF AVOYELLES, STATE OF LOUISIANA
 BUNKIE GENERAL HOSPITAL
 SCHEDULES OF PER DIEM AND
 OTHER COMPENSATION PAID TO BOARD MEMBERS
 YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	<u>1999</u>	<u>1998</u>	<u>1997</u>
Board Members:			
Dr. Carl F. Jory	\$ -0-	\$ -0-	\$ -0-
Mr. James Mixon	-0-	-0-	-0-
Ms. Nancy Carruth	-0-	-0-	-0-
Mr. Don P. Descant	-0-	-0-	-0-
Mr. David Smith	-0-	-0-	160
Mr. Jeff Keys	480	400	400
Ms. Barbara Jones	440	200	200
Mr. Harry Normand	480	400	240

Bobby G. Lester, CPA
John S. Wells, CPA
Robert G. Miller, CPA
Paul A. Delaney, CPA

Paul G. Mathews, CPA
Melanie I. Sarver, CPA

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Avoyelles Parish Hospital Service District No. 1
Bunkie, Louisiana

We have audited the general purpose financial statements of the Avoyelles Parish Hospital Service District No. 1 (the "District" or the "Hospital") for the years ended June 30, 1999, 1998 and 1997 and have issued our report thereon dated October 22, 1999.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Internal Control Structure

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audits of the financial statements of the District for the periods ended June 30, 1999, 1998 and 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted certain matters involving internal control structure and its operation that we consider to be material weaknesses as defined above. The schedule that accompanies this letter summarizes our comments and suggestions regarding these matters. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the District for the year ended June 30, 1999.

Compliance

While performing our audit, we read the responses to the questions in the Systems Survey and Compliance Questionnaire completed by management and adopted by the Board of Commissioners and found no evidence that would indicate that the District had not answered the questions correctly. However, it should be noted that our audit was not directed primarily towards the answers to the questions in the questionnaire.

Compliance with laws, regulations, contracts and grants applicable to the Avoyelles Parish Hospital Service District No.1 is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards. The instance of non-compliance is described in the attached Table of Auditor's comments & recommendations.

This report is intended for the information of management and the office of the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Lester, Miller & Wells

Certified Public Accountants
October 22, 1999

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
AUDITORS' COMMENTS AND RECOMMENDATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 1999

Page 1

1998. Material Weaknesses

Condition: Bank accounts had not been reconciled to the general ledger since December 1997. This resulted in transactions which were not recorded or were misclassified.

Comment: We suggest completion of timely reconciliations before internal, monthly financial statements are completed.

Management's Response: Bank reconciliations have been reconciled through June 30, 1998, and subsequent months are currently being reconciled.

1999 Comment: Bank reconciliations are being done on a routine basis.

Condition: Monthly closings of the accounting records are not final because transactions are back dated and recorded in months which have been reported in past monthly financial statements. This destroys the audit trail and reliability of historical balances.

Comment: We suggest using current dates on transactions and once monthly financial statements are given to the Board, no further entries should be posted to closed months.

We recommend completion of a current accounting manual which organizes and consolidates accounting policies and procedures, as well as monthly, calendar, and year end closing procedures, which will improve consistency and accuracy in the accounting records.

Management's Response: Transactions are now being given dates when they occur and no transactions will be posted to closed months. Management is currently researching standard accounting manuals which will be customized to fit current policies and procedures.

1999 Comment: Internal control procedures have been put in place to prevent posting entries to prior months.

Condition: Interim financial statements were not accurate because not all general ledger accounts were "mapped" to financial statement amounts when new accounting software was installed.

Recommendation: As systems are added or changed, reconciliations must occur to prevent omissions or extraneous data from resulting in misleading results.

Management's Response: The "mapping" has been corrected and future additions or changes will be supported with proper reconciliations.

1999 Comment: At year end, interim financial statements matched the trial balance.

AVOYELLES PARISH HOSPITAL SERVICE DISTRICT NO. 1
AUDITORS' COMMENTS AND RECOMMENDATIONS
FOR THE TWELVE MONTHS ENDED JUNE 30, 1999

Page 2

1999, Material Weaknesses

Condition: Accounts receivable was not reconciled to general ledger on a routine basis. This resulted in transactions which were not recorded or were classified incorrectly.

Comment: We suggest completion of timely reconciliations before internal, monthly financial statements are completed.

Management's Response: The accounts receivable reconciliation process is currently being completed each month.

Condition: There are no established limits for bad debt write-offs. Currently the chief financial officer has unlimited authority to write-off patient accounts.

Comment: We suggest a revision to the current bad debt policy establishing limits by tiers from the position of the Business Office Manager all the way to the Board of Commissioners.

Management's Response: A policy regarding authority to writeoff accounts will be presented at the next Board of Commissioners' meeting for approval.

Condition: There were instances found where revenue for swing-beds and geri-psychiatric care were incorrectly mapped to acute Medicare designation. This can cause problems with budgeting and calculation of contractual adjustments.

Comment: Procedures should be implemented to assure proper classification.

Management's Response: The chief financial officer is reviewing more invoices and vendor default assignments to insure proper classification. General ledger restructuring is complete, which should make easier identification of proper account numbers for the accounts payable clerk and purchasing agent. All individuals classifying expenses have been instructed to contact the chief financial officer if there is any question/doubt before assigning a transaction to a general ledger account.

1999, Compliance

During our test of compliance we identified

Condition: There were two vendors found where the required informational reporting to the Internal Revenue Service was not performed. Payment information is required to be reported on Form 1099 for certain vendors.

Comment: Internal control procedure should be modified to assure complete compliance with the IRS reporting.

Management's Response: The necessary forms have been issued and future reporting will be made in accordance with IRS instructions.